

2003 CASH FLOW TAX AND REVENUE ANTICIPATION NOTES, DEBT SERVICE FUND

BASIS FOR THE PROPOSED BUDGET

The 2003-04 Proposed Budget for the 2003 Cash Flow Tax and Revenue Anticipation Notes, Debt Service Fund, relates to the current year funding as follows:

	Amount	% Change
2002-03 Adopted Budget	\$ 7,379,583	
2003-04 Proposed Budget	\$ 4,956,195	
Change from 2002-03 Budget	\$ (2,732,930)	(36)%

The 2003 Cash Flow Tax and Revenue Anticipation Notes (TRAN), Debt Service Fund, is a special purpose fund established to pay debt service on notes issued to alleviate the short-term cash flow deficits occurring early in the fiscal year when certain taxes and revenues have not been received. The principal portion of the TRAN has not been appropriated in the Budget, as such principal is treated in the Budget as a temporary borrowing rather than an expenditure. The principal and interest on the TRAN will be paid from the City's General Fund revenues during the fiscal year. The 2003-04 appropriation to this fund is for the interest portion of the debt service on notes to be issued in June 2003. The issuance of these notes will permit the City to provide effective cash flow management for the City's General Fund.

The cost of issuing the TRAN is less than borrowing internally from special funds. The cost of issuing the 2003 Cash Flow TRAN would be approximately \$2 million due to the low rate of return on investing the funds that are set aside to retire the debt at the time of maturity. The Cash Flow TRAN and the Pension TRAN are issued together to achieve efficiencies. The TRAN does not contribute to the overall indebtedness of the City.

